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SUBJECT: RECYCLE AND REUSE: VENEZUELAN TOILET PAPER SHORTAGE

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¶1. (U) The following message is sensitive but unclassified.
Please handle accordingly.

¶2. (SBU) Summary. In the ramp up to the February 15 referendum, toilet paper is the latest consumer product shortage. The Government of the Bolivarian Republic (GBRV), through its consumer protection agency, continues to assert that local production of toilet paper is sufficient to meet national demand. However, according to local press reports and Embassy contacts, the two largest producers in Venezuela face labor disputes (a strike at one was settled on February 12), while a third paper producer, expropriated in 2005, operates at ten percent capacity. The GBRV has instituted rationing of toilet paper at supermarkets throughout the country. Post currently holds a two and one half month supply of toilet paper, but a bulk order placed in November 2008 remains unfilled.

Paper Production - Conflicting Reports

¶3. (SBU) Spot shortages of toilet paper began early this year. In early February, the Venezuelan consumer protection agency, Indepabis, publicized in the press its inspection of the Papeles Venezolanas (Paveca) paper factory to verify production levels of toilet paper and napkins. According to the press, Indepabis found that the factory produced 200 tons of toilet paper daily, sufficient to supply forty-five percent of national demand. Carlos Guia, the regional coordinator for Indepabis in Carabobo, said, as reported by the local press, that he visited the factory in response to "rumors about shortages of toilet paper and napkins." Also, Guia said that Paveca's operations primarily use local inputs, relying on imported materials for fifteen percent of the inputs required for toilet paper production.

¶4. (SBU) On February 6, however, local news reports detailed a growing crisis in paper production. According to the press, Covinpa, a cooperative of employee shareholders of La Industria Venezolana Endogena de Papel (Invepal), claimed that Invepal had accumulated losses of 45 million BsF (approximately 21 million USD at the official exchange rate of 2.15 BsF to 1 USD) since the company was expropriated by the GBRV in 2005. (Note: Invepal is a general paper producer and part of the GBRV's vision of the socialist productive model. Employee shareholders retain 17.3 percent ownership in the enterprise. End Note.) Convinpa president Ramon Lagardera told the press that 2008 production was only ten percent of Invepal's capacity due to lack of inputs. One

hundred percent of required materials, he explained, are imported and he blamed Invepal management for the missing inputs due to their poor management. Also, Lagardera said, lack of inputs forces Invepal to halt paper production several times a year.

Labor Unrest Halts Toilet Paper Production

¶5. (SBU) On February 9, Papeles Venezolanos (Paveca) announced that a strike involving 1,500 employees had paralyzed its Carabobo factory. Two rival labor unions, an established union and a new parallel Chavista union, known as La Hojilla (in English, the razor blade,) were at odds over eight labor claims with the local labor inspector. In short, La Hojilla charges that the established union has not backed La Hojilla's labor claims. According to Paveca, the company's many factories produce and distribute approximately 270 tons of toilet paper daily and the company feared large-scale toilet paper shortages in eight Venezuelan states and Caracas due to the Carabobo factory closure. On February 12, EmbOff spoke with a Paveca company officer who confirmed the plant's closure due to labor unrest. Late in the evening on February 12, Paveca announced a resolution of the strike. The rival labor unions agreed to hold employee elections on February 25 to choose a dominant labor union and subsequent elections on March 25 to determine leadership of the dominant union. An Embassy contact confirmed to EmbOff that Paveca agreed to pay the striking workers four days of lost wages. Paveca reopened the paper factory on February 13, but it may well be struck by further labor unrest.

Finding Toilet Paper

¶6. (SBU) Prior to the recent labor unrest and accompanying halts in paper production, toilet paper had been particularly

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difficult to find in Caracas supermarkets. When consumers do find toilet paper, they may purchase only one package due to rationing.

¶7. (SBU) On a bi-annual basis, Post procures necessary sanitary paper products through a main paper products distributor. Currently, Post holds a two and one half months supply of toilet paper. In November 2008, Post ordered a bulk supply of jumbo toilet paper rolls, but the order remains outstanding. The distributor has explained that the delay is due to a problem in the Manpa factory in Maracay and no jumbo toilet paper is available in Venezuela. To date, the distributor has substituted small toilet paper rolls, which enables Post to meet its operational needs. EmbOff spoke to a Manpa officer who said that union problems are also the norm for Manpa, but the factory is operating.

Comment

¶8. (SBU) In the run-up to the February 15th referendum, scarcity of toilet paper, part of the Venezuelan basket of basic goods, further underscores the inability of the GBRV to guarantee consumers access to everyday necessities. But the shortage is an excellent example of the impact of Bolivarian economic theory: government expropriation of private enterprise, the promotion of a socialist productive model, the rise of parallel labor unions, other labor unrest, and the lack of necessary imported inputs continue to hobble production of essential goods throughout the country. If production problems persist, Post is uncertain if the local distributor can continue to provide substitute products. While it may be comical, the current toilet paper shortage indicates another industry gravely harmed by the economic

policies of the GBRV.
CAULFIELD